

Japanese Carbon and Alloy Flat Products Exclusion Request

Product Category: Cold-Rolled Products (#4)

(a)	Product Designation/HTS	<u>Cold Rolled Steel for Battery Jackets</u> 7209.17.0090, 7209.18.6000, 7209.18.2550
(b)	Product Description	Certain batch annealed and temper-rolled cold-rolled continuously cast steel (including tin mill black plate), which meets the following characteristics: Chemical Composition, Weight %: C <0.08, Si <0.04, Mn <0.40, P <0.03, S <0.03, Al 0.010-0.07. Thickness Tolerance: +/-5 percent (aim +/-4 percent), Guaranteed inside of 15 mm from mill edges, Width Tolerance: -0/+7 mm, Hardness (Hv): Hv 85-110, Tensile Strength: >275N/mm ² ; Elongation: >36%; Grain = equiaxed; Grain size = min. 8.5; Lankford value: greater than 1.2; Delta 'r' value = less than +/- 0.2.
(c)	Basis for Exclusion	See text below
(d)	Names and Location of U.S. and Foreign Producers	See Attachment A
(e)	U.S. Consumption	See Attachment B
(f)	U.S. Production	See Attachment B
(g)	Substitutable Products	See Attachment C

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In the 1999-2000 Title VII investigation of certain cold-rolled steel products, the Commerce Department excluded an imported specialty product that is used in the production of battery jackets.¹ However, this product was not excluded from the current 201 investigation or the newly filed Title VII case on cold-rolled steel. This is apparently because there are domestic producers who believe they can produce cold-rolled steel for battery jackets as defined in the 1999-2000 Title VII case.² While this may be true for certain steel falling within that definition,

¹ See *Notice of Final Determination of Sales at Less Than Fair Value: Certain Cold-Rolled Flat-Rolled Carbon-Quality Steel Products From Argentina, Japan and Thailand*, 65 Fed. Reg. 5520, 5523 (Feb. 4, 2000).

² The definition set forth in the 1999-2000 case is as follows:

Certain annealed and temper-rolled cold-rolled continuously cast steel, which meets the following characteristics: Chemical Composition, Weight %: C <0.08, Si <0.04, Mn <0.40, P <0.03, S <0.03, Al 0.010-0.025, N <0.0025. Thickness Tolerance: +/-5 percent (aim +/-4 percent), Guaranteed inside of 15 mm from mill edges, Width Tolerance: -0/+7 mm, Hardness (Hv): Hv 85-110, Annealing: Annealed, Surface: Matte, Tensile Strength:

the product requested by the primary user of battery jacket steel is more demanding than that which is available from domestic mills. This exclusion request therefore concerns a more narrowly defined product than that which was excluded from the 1999-2000 case. Because of its domestic unavailability, this product should be excluded from any remedy recommendation.

Cold-rolled steel for battery jackets is a highly specialized product. For example, the Japanese product is batch annealed, but with an “equiaxed” grain structure, meaning perfectly formed circles of grain structure.³ It is extremely difficult to batch anneal cold-rolled steel and achieve this grain structure. Batch annealing generally gives the product a “pancake grain” structure, meaning elongated slender structure. To get equiaxed grain structure from batch annealed cold-rolled steel (throughout the entire width of the coil) significantly distinguishes the imported material from that available domestically.

In addition, the Japanese product is formed into a can with very little error. The “delta r” is a numeric value used to designate how the steel grains expand when equal pulling pressure is applied from every direction as measured in a complete circle every 30 degrees. It tells you whether or not the steel will exhibit erring when formed into a can. A value of +/- 0.0 is perfect and impossible. It “stretches” equally in every direction. A value of +/- -0.2 is very difficult to make because there is “minimal to no” erring when the material is formed into a can. A value of +/- 0.2 is particularly difficult to make when the cold-rolled steel is batch annealed (as opposed to continuous annealing).

[] has been supplying high quality nickel-plated steel to the battery market for over 15 years.⁴ Over that time [] has repeatedly tried to work with the U.S. producers to develop an acceptable product. As yet, they have been unable to produce one. It is [] preference to buy domestically because of the shorter lead times, the lower freight costs, lower inventory requirements, and all-around lower costs. Recently Bethlehem attempted, yet again, to produce an acceptable product. However, it had sidewall defects caused by non-metallic inclusions and could not produce the ultra bright finishes that are required. Because the domestic industry has been unable to provide a product that meets the specifications, [] must buy the battery grade tin mill black plate from other sources.

As exhibited by the domestic manufacturers’ inability to produce this product, it is a challenging product to produce with little room for flexibility on the standards. When this steel is rolled to such a thin thickness -- as thin as tin foil, for example -- any inclusions become holes in the steel, making it unusable for this purpose.⁵ Moreover, even if the domestic suppliers were able to meet these exacting standards, it would still require [] for their steel to qualify.

>275N/mm²; Elongation: >36%. *See Notice of Final Determinations of Sales at Less Than Fair Value: Certain Cold-Rolled Flat-Rolled Carbon-Quality Steel Products From Argentina, Japan and Thailand*, 65 Fed. Reg. 5520, 5523 (Feb. 4, 2000).

³ The “grain size” is a quantitative value used to enforce the “equiaxed” grain pattern. Basically if grain size is bigger than 8.5 than it would not be considered equiaxed.

⁴ See, Statement by [] in **Attachment D**. []

⁵ *Id.*

First, [] would have to test the steel, then it would have to go through an intensive customer approval period, not to mention the logistics involved with changing suppliers and distribution channels. There simply is not a feasible alternative and so, battery grade cold-rolled steel should be excluded.

Imported cold-rolled steel for battery jackets is typically more expensive than U.S. cold-rolled steel. As shown in **Attachment B**, the unit price for cold-rolled steel for battery jackets from Japan ranged from [] during the period of investigation. Compare these prices to pricing data collected by the Commission for selected pricing products which are intended to be representative of U.S. prices of cold-rolled steel products in general.⁶ This attachment demonstrates the significant overselling of this specialty product imported from Japan. Imports of high-priced specialized products have no detrimental effect on the domestic industry and warrant exclusion from any remedy recommendation. Therefore, the USTR should exclude cold-rolled steel for battery jackets from any 201 remedy.

⁶ See ITC's Staff Report at Tables FLAT-70, FLAT-71 (public version).

Attachment A

Foreign Producers

(1) []

- Address: []
- Phone: []
- Fax: []

Domestic Producers

- No Known Domestic Producers

COLD-ROLLED**Cold-Rolled Steel for Battery Jackets**

Quantity						January - June		Projections				
Company	1996	1997	1998	1999	2000	YTD 2000	YTD 2001	2001	2002	2003	2004	2005
[1,650	3,554	2,584	3,877	5,561	3,492	2,711	6,181	6,181	6,181	6,690	6,181
Total	1,650	3,554	2,584	3,877	5,561	3,492	2,711	6,181	6,181	6,181	6,690	6,181]
Value *						January - June		Projections				
Company	1996	1997	1998	1999	2000	YTD 2000	YTD 2001	2001	2002	2003	2004	2005
[1,105,117	2,657,774	1,762,568	2,951,730	3,993,407	2,495,591	1,902,113	4,320,149	3,991,533	4,320,149	4,320,149	3,991,533
Total	1,105,117	2,657,774	1,762,568	2,951,730	3,993,407	2,495,591	1,902,113	4,320,149	3,991,533	4,320,149	4,320,149	3,991,533]
Unit Price	0	0	0	0	0	0	0					
U.S. Production	0	0	0	0	0	0	0	0	0	0	0	0
Imports from Other Countries	0	0	0	0	0	0	0	0	0	0	0	0
Total U.S. Consumption												
[Quantity	1,650	3,554	2,584	3,877	5,561	3,492	2,711	6,181	6,181	6,181	6,690	6,181]
[Value	1,105,117	2,657,774	1,762,568	2,951,730	3,993,407	2,495,591	1,902,113	4,320,149	3,991,533	4,320,149	4,320,149	3,991,533]

Attachment C

Known Substitutable Products: None

U.S. Production: None

U.S. Producers: None

NOT CAPABLE OF SUMMARY